

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Leominster Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: January 31, 2018

This Commission is hereby furnishing you with approval of the funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY18 (since the amount under the prior schedule was maintained in FY18) and is acceptable under Chapter 32.

The schedule is based on an actuarial valuation using an investment return assumption of 5.5%, which we believe is extremely conservative for funding purposes. The Board has used this assumption since its January 1, 2014 actuarial valuation. The Alternate Results section of the valuation report (page 11) indicates the actuary believes a 5.5% discount rate is appropriate for disclosure purposes, but for funding purposes a rate that is closer to the expected return on assets would be more reasonable. The report shows plan liabilities using both a 6.75% and a 7.50% discount rate. Under either of these assumptions the plan would be fully funded.

No cost of living adjustments (COLAs) were assumed in the valuation, based on the Board's practice in the recent past. However, we note that a COLA increase was adopted for FY18. This assumption should be reviewed and considered as part of the January 1, 2018 actuarial valuation.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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LEOMINSTER CONTRIBUTORY RETIREMENT SYSTEM

FUNDING SCHEDULE

Fiscal Year	Normal Cost	Unfunded Liability	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution*
2019	2,075,286	14,428,594	6,913,285	85,840	9,074,412
2020	2,153,109	7,928,650	6,913,285	85,840	9,152,235
2021	2,233,851	1,071,210	1,071,210	85,840	3,390,901
2022	2,317,620	-	-	85,840	2,403,460

Amortization of Unfunded Liability as of July 1, 2017

Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2019	Fresh Start	6,913,285	0.00%	3	6,913,285	3

Notes on Amortization of Unfunded Liability

Year is the year the amortization base was established. Type is the reason for the creation of the base. Original Amortization Amount is the annual amortization amount when the base was established. Percentage Increasing is the percentage that the Original Amortization Amount increases per year. Original # of Years is the number of years over which the base is being amortized. Current Amortization Amount is the amortization payment amount for this year. Years Remaining is the number of years left to amortize the base.

* The Fiscal 2019 contribution is set equal to the planned contribution from the 2015 valuation funding schedule. The amortization in the following year remains level, and in Fiscal 2021 the remainder of the unfunded liability is amortized.